

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1875
ANSWERED ON:24.08.2007
IRREGULARITIES IN CATHELOIC SYRAINE BANK
Bose Shri Subrata

Will the Minister of FINANCE be pleased to state:

- (a) whether there has been failure on the part of Reserve Bank of India to prevent irregularities committed by the management of Catheloic Syraine Bank;
- (b) if so, the details thereof;
- (c) whether the Government has initiated any enquiry against these banks; and
- (d) if so, the outcome thereof and the action taken by the Government against the guilty persons?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) : Based on the findings of Reserve Bank of India (RBI) scrutiny conducted at Ashram Road, Ahmedabad and Fort, Mumbai branches of the Catholic Syrian Bank, RBI has imposed a penalty of Rs. 10.00 lakh on the Bank on 20 July, 2007 under Section 47A(l)(b) of the Banking Regulation Act, 1949 for violations of Know Your Customer / Anti-Money Laundering norms while opening and operating certain accounts and failure of internal control systems to detect those irregularities.

(c) & (d) : A Criminal Miscellaneous Petition (CMP 3585/2006) has been filed by a shareholder of the Catholic Syrian Bank Ltd. before the Chief Judicial Magistrate, Thrissur against the bank, its former Chairman and current Chairman (since resigned), its Directors and officials in connection with certain leasing transactions undertaken by the bank during the year 1994-95. The Court has, vide order dated 3rd February, 2007, appointed an Assistant Audit Officer to conduct an enquiry into the allegations stated in the complaint. RBI has, however, advised the Bank to explore the option of requesting the Court to appoint statutory auditor of the Bank to conduct an investigation in the matter.